

Message Text

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ACTION EUR-12

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TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

1. SUMMARY. BALANCE OF PAYMENTS FOR AUGUST REGISTERED SURPLUS OF \$446.0 MILLION. 1975 BALANCE OF PAYMENTS THROUGH FIRST EIGHT MONTHS SHOWED \$613.8 MILLION CUMULATIVE RECORDED DEFICIT. FOR SAME PERIOD ADJUSTED BALANCE OF PAYMENTS (EXCLUDING \$920 MILLION IN EUROMARKET LOAN REPAYMENTS) SHOWED CUMULATIVE SURPLUS OF \$306.2 MILLION. COMMERCIAL BANKS REDUCED THEIR NET FOREIGN DEBT BY \$730.4 MILLION IN MONTH. NET BOI EXCHANGE MARKET INTERVENTION DURING AUGUST TOTALLED \$209 MILLION. FROM SEPTEMBER 1 THROUGH 18 NET MARKET INTERVENTION LIMITED OFFICIAL USE

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WAS APPROXIMATELY \$290 MILLION. REMAINDER OF GERMAN GOLD

LOAN (\$1.5 BILLION) RENEWED IN MID-SEPTEMBER. END SUMMARY

2. MONETARY MOVEMENTS DATA FOR AUGUST RECORDED SURPLUS OF \$446.0 MILLION. CHANGES IN BOI RESERVES DURING PERIOD WERE DECREASE IN CONVERTIBLE CURRENCY HOLDINGS OF \$285.7 MILLION, DECREASE IN SHORT-TERM LIABILITIES BY \$0.2 MILLION, DECREASE IN MEDIUM AND LONG-TERM LIABILITIES BY \$1.6 MILLION, AND DECREASE IN SDR HOLDING BY \$0.5 MILLION. COMMERCIAL BANKS' NET FOREIGN DEBT FELL BY \$730.4 MILLION.

3. RECORDED BALANCE OF PAYMENTS CUMULATIVE DEFICIT FOR FIRST EIGHT MONTHS OF 1975 OF \$613.8 MILLION WAS FINANCED BY DECREASE IN BOI FOREIGN EXCHANGE ASSETS OF \$1,617.8 MILLION, DECREASE IN SDR HOLDINGS OF \$56.2 MILLION, DECREASE IN BOI SHORT-TERM LIABILITIES OF \$32.4 MILLION, DECREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES OF \$322.2 MILLION, AND DECREASE IN SHORT-TERM BORROWINGS OF COMMERCIAL BANKS OF \$705.6 MILLION.

4. ACCORDING TO DR. CESARE GERONSI, CHIEF FOREIGN EXCHANGE SECTION BOI, NET BOI EXCHANGE MARKET INTERVENTION DURING AUGUST TOTALLED \$209 MILLION. FROM SEPTEMBER 1 THROUGH 18 NET MARKET INTERVENTION WAS APPROXIMATELY NEGATIVE \$290 MILLION. GERONSI SAID THAT ON SEPTEMBER 18 ALONE NET INTERVENTION WAS APPROXIMATELY NEGATIVE NET \$100 MILLION. HE SAID THAT THE CONTINUED STRENGTH OF THE DOLLAR AND EXCHANGE MARKET INTERVENTIONS BY THE FRENCH WERE MAJOR FACTORS ACCOUNTING FOR HEAVY PRESSURE ON THE LIRA.

5. BOI RENEWED REMAINDER OF GERMAN GOLD LOAN (\$1.5 BILLION) AT SECOND REPAYMENT DATE. ON FIRST REPAYMENT DATE LAST MARCH, ITALY REPAID ONE-FOURTH, \$500 MILLION, OF THIS LOAN AND RENEWED REMAINDER. MINIMAL ATTENTION DEVOTED TO RENEWAL OF REMAINDER OF LOAN BY ITALIAN PRESS.

6. ON SEPTEMBER 18 FOLLOWING FINANCIAL RATES PREVAILED: LIRA SPOT EXCHANGE RATE WAS 679.775 LIRE PER DOLLAR, THREE-MONTH FORWARD RATE WAS 685.025 LIRE PER DOLLAR, WEIGHTED AVERAGE DEVALUATION OF LIRA, ACCORDING TO BOI INDEX SINCE FEBRUARY 9, 1973 BASE PERIOD WAS AGAINST ALL MAJOR CURRENCIES 20.04 PERCENT, AGAINST THE DOLLAR 14.53 PERCENT, AND AGAINST THE EC LIMITED OFFICIAL USE

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CURRENCIES 24.21 PERCENT. BLACK MARKET RATE IN MILAN WAS 756 LIRE PER DOLLAR, THREE-MONTH EUROLIRA INTEREST RATE WAS 10 3/4 PERCENT, LIRA INTERBANK FORTY-EIGHT HOUR RATE WAS 7.5 PERCENT, AND LIRA INTERBANK THREE-MONTH RATE WAS 8.625 PERCENT. VOLPE

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